

Message Text

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ACTION ARA-17

INFO OCT-01 ADP-00 COA-02 PC-15 AGR-20 AID-20 CIAE-00

COME-00 EB-11 FRB-02 INR-09 NSAE-00 RSC-01 TRSE-00

XMB-07 OPIC-12 CIEP-02 LAB-06 SIL-01 SAL-01 OMB-01

DODE-00 PM-09 H-02 L-03 NSC-10 PA-03 PRS-01 SS-14

USIA-12 CG-00 SCEM-01 RSR-01 /184 W

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FM AMEMBASSY QUITO

TO SECSTATE WASHDC 6906

INFO AMCONSUL GUAYAQUIL

C O N F I D E N T I A L QUITO 1459

E. O. 11652: GDS

TAGS: PFOR, EAGR, EAID, EC

SUBJECT: ECUADOR CASP; PL 480 TITLE I PROJECTIONS AND
JUSTIFICATIONS FOR FY 1974

REF: A) STATE 49056; B) AIDTO CIRC. A-269

1. SUMMARY

THIS MESSAGE RESPONDS TO THE QUESTION CONCERNING PL 480
IN REF A. CT RECOMMENDS A PL 480 TITLE I SALES AGREEMENT
OF \$7.5 MILLION FOR FY 74. WE EXPECT AN AGREEMENT AT
THIS LEVEL TO GENERATE COUNTERPART FUNDING FOR DEVELOPMENT
PROJECTS OF \$6.7 MILLION; THEREFORE WE WISH TO REVISE THE
CASP FIGURE OF \$6 MILLION UPWARD TO \$6.7 MILLION. THE
INCREASE RESULTS FROM A SMALL UPWARD REVISION IN OUR
ESTIMATE OF CONCESSIONAL WHEAT IMPORTS FOR FY 74 AS
CONSEQUENCE OF 13,600 MT REDUCTION IN FY 73 WHEAT AVAIL-
ABILITIES SINCE CASP WAS PREPARED. LEVEL IS BASED ON
MAINTENANCE OF U. S. EXPORTS, GOE AGRICULTURE SECTOR
POLICY AND PROGRAM REQUIREMENTS, AND REDUCED AVAILABILITIES
AS INDICATED IN REF B AND ELSEWHERE. END SUMMARY.

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2. CT RECOMMENDS A PL 480 TITLE I SALES AGREEMENT LEVEL OF \$7.5 MILLION FOR FY 74. THIS FIGURE PERMITS MAINTENANCE OF U. S. COMMERCIAL MARKETS AND ONGOING DEVELOPMENT AND SELF- HELP PROGRAMS FINANCED BY COUNTERPART FUND GENERATION. IT TAKES INTO ACCOUNT THE REDUCED AVAILABILITIES FOR FY 74 INDICATED IN REF B. A LEVEL OF \$7.5 MILLION REPRESENTS A REDUCTION OF ABOUT 20 PERCENT FROM THE FY 73 SALES AGREEMENT LEVEL OF \$9.2 MILLION AND IS ABOUT HALF OF THE EXPECTED GOE REQUEST.

3. THE ROUND FIGURE OF \$6 MILLION CITED IN REF A. FROM THE CASP IS THE LEVEL OF RESOURCES INTENDED FOR APPLICATION TO DEVELOPMENT EFFORTS AND NOT THE MAXIMUM DOLLAR VALUE OF THE SALES AGREEMENT. SALES AGREEMENTS NOW REQUIRE A 5 PERCENT DOWN PAYMENT, AND REALIZED DOLLAR VALUES IN PAST AGREEMENTS HAVE BEEN ABOUT 5 PERCENT BELOW THE MAXIMUM VALUES. THUS THE CASP FIGURE WAS BASED ON ASSUMED SALES AGREEMENT OF \$6.5 TO 7 MILLION. SINCE PREPARATION OF THE CASP, HOWEVER, 13,600 MT OF WHEAT, VALUED AT \$1.2 MILLION IN FY 74 PRICES (REF B), WERE CUT FROM FY 73 PL 480 SUPPLY FOR ECUADOR. AS A RESULT, COUNTER- PART FUNDS GENERATED FOR DEVELOPMENT PROJECTS BY THE FY 73 AGREEMENT WILL BE ABOUT \$1.0 MILLION BELOW PREVIOUS EXPECTATIONS. THEREFORE, WE HAVE ADJUSTED OUR DOLLAR RECOMMENDATION FOR WHEAT UPWARD BY ABOUT HALF OF THE WHEAT LOSS. THE CASP FIGURE OF \$6 MILLION FOR FY 74 SHOULD BE ADJUSTED UPWARD TO \$6.7 MILLION.

4. RECOMMENDED SALES AGREEMENT LEVEL OF \$7.5 MILLION CONSISTS OF:

COMMODITY	MT	DOLLARS
WHEAT	55,000	4,750,000
EDIBLE OILS	6,500	1,625,000
TOBACCO	450	1,125,000

5. U. S. EXPORT DEVELOPMENT CONSIDERATIONS JUSTIFY THESE LEVELS FOR THE FOLLOWING REASONS: DEMAND FOR WHEAT CONTINUES TO GROW BUT IN SPITE OF INCENTIVE PRICES DOMESTIC SUPPLY IS DECLINING DUE TO REDUCED ACREAGES AND
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YIELDS. ECUADOR, LYING ALONG THE EQUATOR, DOES NOT HAVE GOOD WHEAT GROWING POTENTIAL AND OTHER CROPS WILL PROBABLY HAVE GREATER RATES OF TECHNOLOGICAL IMPROVEMENT. THUS

DECLINE IN WHEAT PRODUCTION APPEARS TO BE A LONG- TERM
TREND. COMMERCIAL WHEAT IMPORTS WILL GROW AT AN
EVEN FASTER RATE THAN CONCESSIONAL SALES. THEREFORE CT
RECOMMENDS SLIGHT INCREASE IN WHEAT QUANTITY OVER FY 73
AGREEMENT (51,000 MT) TO MAINTAIN PRESENT U. S. MONOPOLY
OF THIS GROWING MARKET FOR IMPORTED WHEAT.

6. WE EXPECT EDIBLE OIL IMPORTS TO RISE LESS RAPIDLY IN
THE NEAR FUTURE, AS THE GOE SHORT- CYCLE OIL SEED AND
AFRICAN PALM OIL
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